

**DESCRIPTION OF BUSINESS >**

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products and services for the world's hospitality, foodservice, institutional and industrial markets. Founded in 1923 and headquartered in St. Paul, Minn., Ecolab reaches customers in North America, Europe, Asia Pacific, Latin America, the Middle East and Africa, employing more than 20,000 associates worldwide. Customers include hotels and restaurants; healthcare and educational facilities; quickservice (fast-food and convenience stores) units; grocery stores; commercial and institutional laundries; light industry; dairy plants and farms; food and beverage processors; pharmaceutical and cosmetic facilities; and the vehicle wash industry. Products and services are marketed by the industry's largest and best-trained direct sales-and-service force, numbering more than 11,000 associates who advise and assist customers in meeting a full range of cleaning, sanitation and service needs.

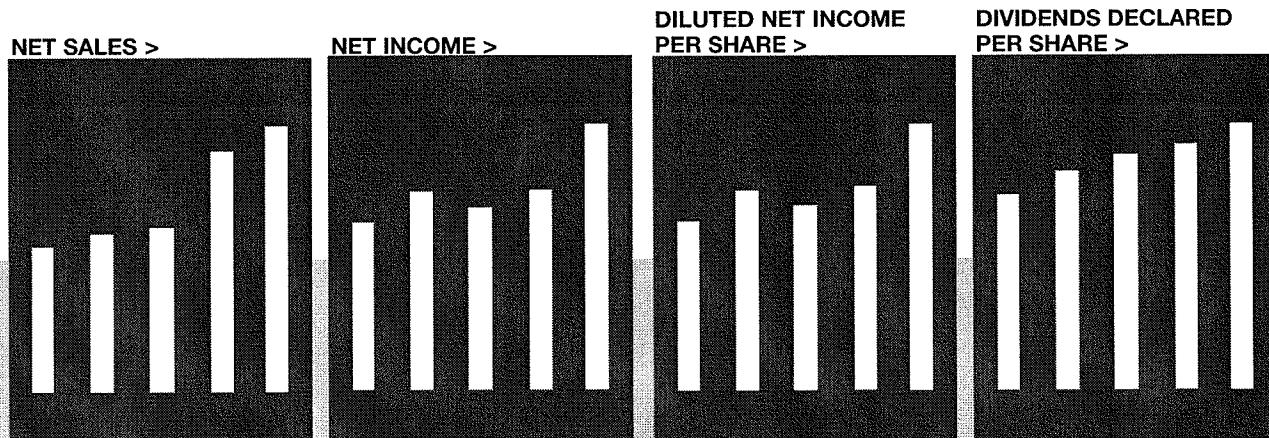
Ecolab common stock is traded on the New York Stock Exchange under the symbol ECL. Ecolab news releases and other selected investor information are available on the Internet at [www.ecolab.com](http://www.ecolab.com).

**FORWARD-LOOKING STATEMENTS AND RISK FACTORS**

We refer readers to the company's disclosure, entitled "Forward-Looking Statements and Risk Factors," which is located on page 30 of this Annual Report.

**FINANCIAL HIGHLIGHTS >**

(thousands, except per share)	2003	2002	2001	Percent Change	
				2003	2002
Net Sales	\$3,761,819	\$3,403,585	\$2,320,710	11%	47%
Net Income	277,348	209,770	188,170	32	11
Percent of Sales	7.4%	6.2%	8.1%		
Diluted Net Income Per Common Share	1.06	0.80	0.72	33	11
Diluted Weighted-Average Common Shares Outstanding	262,737	261,574	259,855	-	1
Cash Dividends Declared Per Common Share	0.2975	0.2750	0.2625	8	5
Cash Provided by Operating Activities	529,199	423,326	364,481	25	16
Capital Expenditures	212,035	212,757	157,937	-	35
Shareholders' Equity	1,295,426	1,099,751	880,352	18	25
Return on Beginning Equity	25.2%	23.8%	24.9%		
Total Debt	674,644	699,842	745,673	(4)	(6)
Total Debt to Capitalization	34.2%	38.9%	45.9%		
Total Assets	\$3,228,918	\$2,865,907	\$2,525,000	13%	14%



**Some important details about our company: Ecolab continues to be the world's leading provider of commercial cleaning, sanitation and service solutions. You will find us wherever our customers need outstanding service. We have dedicated field associates on nearly every continent. Our geographic scope is even more impressive when you consider all the additional areas we reach through distributors, export activities and the like. In every market Ecolab serves, we deliver a growing range of products, systems and services. In the U.S., for example, we have nine operating divisions – Institutional, Pest Elimination, Kay, Food & Beverage, Professional Products, GCS Service, Textile Care, Vehicle Care and Water Care Services – that form a truly unmatched complementary offering. Many of these businesses are following our core institutional and industrial offerings around the world, demonstrating the ongoing vitality of Ecolab's Circle the Customer - Circle the Globe commitment.**

## **SERVICES/PRODUCTS PROVIDED >**

### **INSTITUTIONAL**

Products, programs and services for the foodservice, hospitality and healthcare industries, including warewashing, on-premise laundry, housekeeping, water filtration and conditioning, food safety products, specialty kitchen and laundry products, and pool and spa management.

### **KAY**

Cleaning and sanitizing products, services and training programs for the quickservice restaurant, convenience store, movie theater and food retail markets.

### **PEST ELIMINATION**

Service and technology for the detection, identification, elimination and prevention of pests in commercial facilities, as well as food safety audit and training services.

### **PROFESSIONAL PRODUCTS**

Janitorial cleaning, floor care and infection prevention products, programs and systems for the retail, building services, industrial and healthcare\* markets.

### **GCS SERVICE**

Service and parts for the repair and maintenance of commercial foodservice equipment.

### **TEXTILE CARE**

Cleaning and sanitizing products, equipment and services for commercial and shirt laundries.

### **FOOD & BEVERAGE**

Cleaning and sanitizing products, equipment, systems and services for the agribusiness, beverage, brewery, pharmaceutical, dairy and food processing industries.

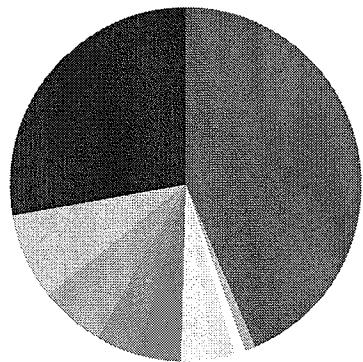
### **WATER CARE SERVICES**

Water treatment programs for boilers, cooling water and waste treatment systems.

### **VEHICLE CARE**

Cleaning and treatment products and programs for professional conveyor, in-bay and self-service car wash operations.

\*Healthcare began operating a distinct business unit, separate from Professional Products, effective Jan. 1, 2004. It will be reported as a separate business unit in future years.

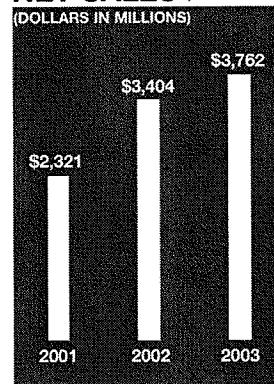
**ECOLAB BUSINESS MIX 2003 >**

United States 56%

- Institutional 28%
- Food & Beverage 8%
- Pest Elimination 6%
- Kay 4%
- GCS Service 3%
- Professional Products 3%
- Vehicle Care 2%
- Textile Care 1%
- Water Care Services 1%

■ International 44%

- Europe/Africa/Middle East 30%
- Asia Pacific 7%
- Canada 3%
- Latin America 3%
- Other 1%

**NET SALES >****CUSTOMERS/MARKETS SERVED >****CUSTOMERS**

- > Restaurants
- > Hotels
- > Quickservice
- > Food retail (grocery)
- > Schools
- > Laundries
- > Healthcare facilities
- > Dairy farms and plants
- > Food, beverage and brewery plants
- > Pharmaceutical and cosmetic facilities
- > Office buildings
- > Shopping malls
- > Light industry
- > Fleet and vehicle wash

**MARKETS**

- > United States
- > Europe/Africa/Middle East
- > Asia Pacific
- > Canada
- > Latin America

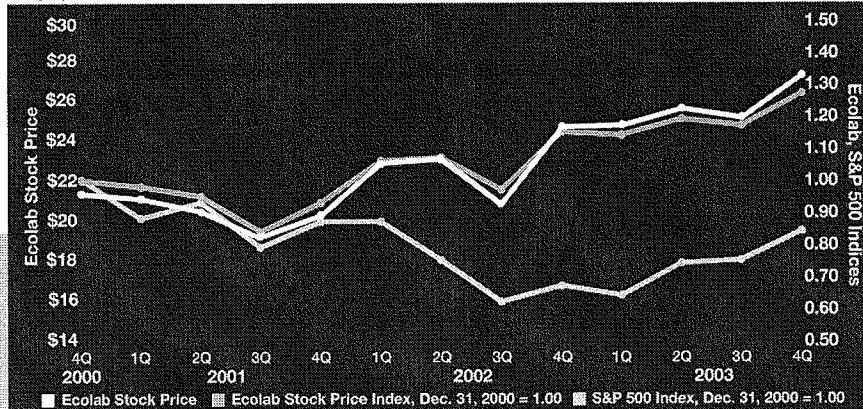
**SALES-AND-SERVICE ASSOCIATES >**

(December 31)	2001	2002	2003
Institutional	2,985	3,125	3,190
Kay	235	245	275
Pest Elimination	1,450	1,555	1,645
Professional Products	190	175	180
GCS Service	560	530	535
Textile Care	125	85	80
Food & Beverage	385	395	405
Water Care Services	100	100	95
Vehicle Care	100	100	100
Europe/Africa/Middle East	2,700	3,370	3,285
Asia Pacific*	1,065	925	1,015
Canada	320	320	340
Latin America	505	485	540
<b>Total</b>	<b>10,720</b>	<b>11,410</b>	<b>11,685</b>

\*The 2002 decrease is due to the sale of the Hygiene Services business.

**ECOLAB STOCK PERFORMANCE >**

Quarter	2001		2002		2003	
	Low	High	Low	High	Low	High
First	\$18.94	\$22.09	\$19.43	\$23.94	\$23.08	\$26.00
Second	18.18	21.60	21.25	24.00	24.21	27.92
Third	14.25	21.00	18.27	24.51	23.78	26.80
Fourth	17.10	20.53	20.71	25.20	25.15	27.89

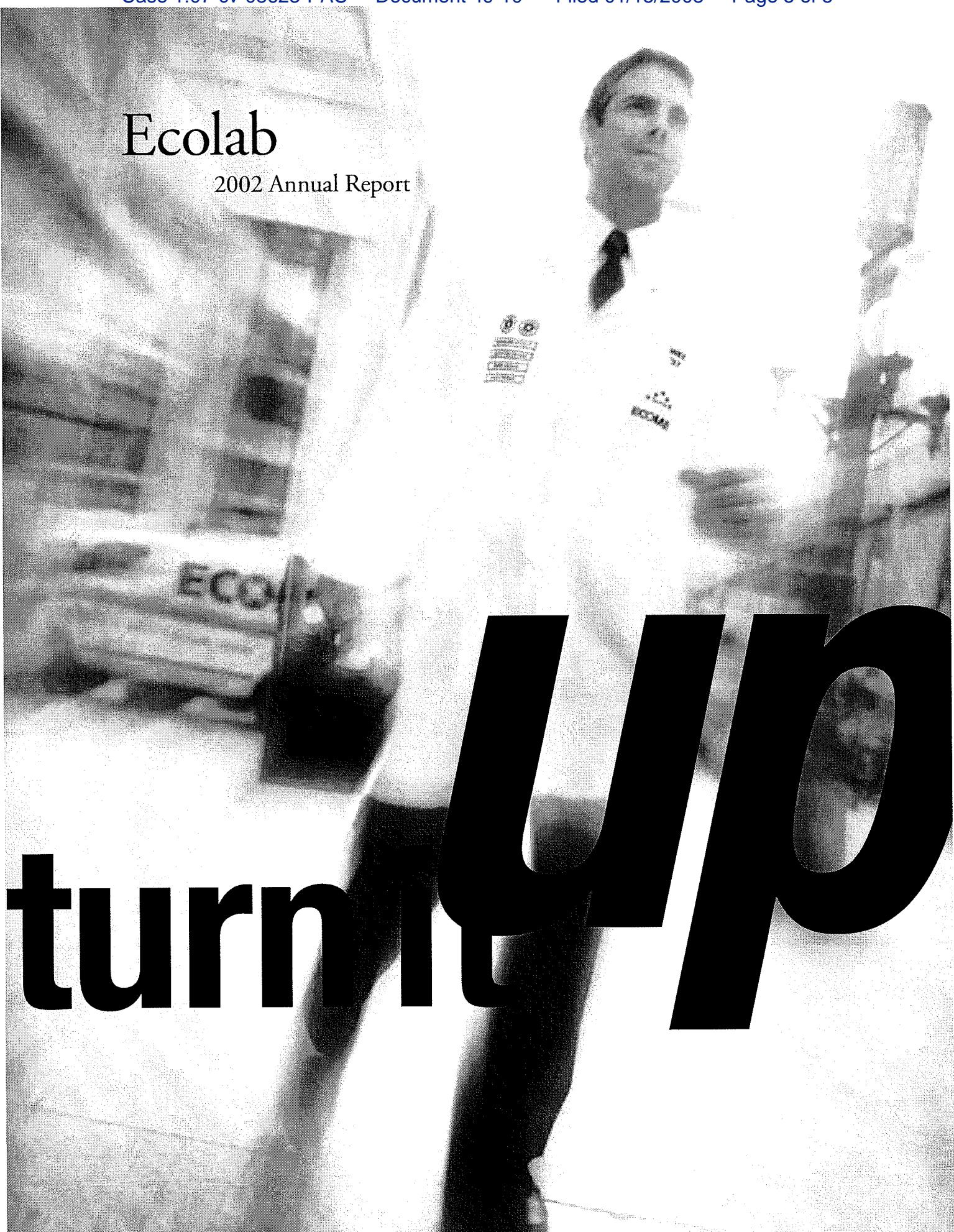
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## consolidated balance sheet

December 31 (thousands, except per share)	2003	2002	2001
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 85,626	\$ 49,205	\$ 41,793
Accounts receivable, net	626,002	553,154	514,074
Inventories	309,959	291,506	279,785
Deferred income taxes	75,820	71,147	53,781
Other current assets	52,933	50,925	40,150
<b>Total current assets</b>	<b>1,150,340</b>	<b>1,015,937</b>	<b>929,583</b>
Property, plant and equipment, net	736,797	680,265	644,323
Goodwill, net	797,211	695,700	596,925
Other intangible assets, net	203,859	188,670	178,951
Other assets, net	340,711	285,335	175,218
<b>Total assets</b>	<b>\$3,228,918</b>	<b>\$2,865,907</b>	<b>\$2,525,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term debt	\$ 70,203	\$ 160,099	\$ 233,393
Accounts payable	212,287	205,665	199,772
Compensation and benefits	190,386	184,239	132,720
Income taxes	59,829	12,632	18,887
Other current liabilities	319,237	291,193	243,180
<b>Total current liabilities</b>	<b>851,942</b>	<b>853,828</b>	<b>827,952</b>
Long-term debt	604,441	539,743	512,280
Postretirement health care and pension benefits	249,906	207,596	183,281
Other liabilities	227,203	164,989	121,135
Shareholders' equity (common stock, par value \$1.00 per share; shares outstanding: 2003 – 257,417; 2002 – 129,940 and 2001 – 127,900)	1,295,426	1,099,751	880,352
<b>Total liabilities and shareholders' equity</b>	<b>\$3,228,918</b>	<b>\$2,865,907</b>	<b>\$2,525,000</b>

The accompanying notes are an integral part of the consolidated financial statements.



Ecolab

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